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IDAHO PUBLIC
UTILITIES COMMISSION

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Lead Counsel
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March 15, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-03
2015 Demand-Side Management Expenses – Idaho Power Company's
Application and Testimony

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and nine (9) copies of Idaho Power Company's Application and attachment (2015 Demand-Side Management report and supplements). However, as agreed, only five (5) copies of Supplement 2 have been provided.

Also enclosed for filing are an original and (9) copies of the Direct Testimony of Connie Aschenbrenner. One copy of Ms. Aschenbrenner's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Ms. Aschenbrenner's testimony is enclosed for the Reporter.

If you have any questions about the enclosed documents, please do not hesitate to contact me.

Very truly yours,



Lisa D. Nordstrom

LDN:csb
Enclosures

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Attorney for Idaho Power Company

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR A)	CASE NO. IPC-E-16-03
DETERMINATION OF 2015 DEMAND-)	
SIDE MANAGEMENT EXPENSES AS)	APPLICATION
PRUDENTLY INCURRED.)	
)	

In accordance with RP 052 and RP 201, *et seq.*, Idaho Power Company ("Idaho Power" or "Company") hereby respectfully submits its *Demand-Side Management 2015 Annual Report* ("DSM 2015 Annual Report") and makes application to the Idaho Public Utilities Commission ("Commission") for an order designating Idaho Power's expenditures of \$28,495,701 in Idaho Energy Efficiency Rider ("Rider") funds and \$6,701,263 of demand response program incentives included in the 2016 Power Cost Adjustment ("PCA"), for a total of \$35,196,964, as prudently incurred demand-side management ("DSM") expenses.

In support of this Application, Idaho Power represents as follows:

I. THE DSM 2015 ANNUAL REPORT

1. The Commission has “consistently stated that cost-effective DSM programs are in the public interest and has admonished electric utilities operating in the State of Idaho to develop and implement DSM programs in order to promote energy efficiency.” Case No. IPC-E-10-09, Order No. 32113 at 8, *citing* Order Nos. 29784 and 29952. To further the Commission’s objective, Idaho Power implements and manages a wide range of opportunities for its customers to participate in DSM activities, to be informed about energy use, and to use electricity wisely. Through DSM programs, Idaho Power seeks to provide customers with programs and information to help them manage their energy use and to achieve prudent cost-effective DSM resources to meet the Company’s electrical system’s energy and demand needs.

2. In support of this Application requesting the Commission deem the Company’s total 2015 DSM expenses as prudently incurred, Idaho Power presents its DSM 2015 Annual Report as Attachment 1 to this Application. The DSM 2015 Annual Report also satisfies the DSM reporting obligation set forth in Order No. 29419, Case No. IPC-E-03-19.

3. The DSM 2015 Annual Report consists of the main document and two supplements. *Supplement 1: Cost-Effectiveness* (“Supplement 1”) shows the standard cost-effectiveness tests for Idaho Power programs and includes a table that reports expenses by funding source and cost category. In 2015, the Company continued its commitment to third-party evaluation activities. Included in *Supplement 2: Evaluation* (“Supplement 2”) are copies of all of Idaho Power’s 2015 evaluations, customer surveys and reports, evaluations conducted by the Company’s regional partners, Idaho Power’s evaluation plans, general energy efficiency research, and demand response research.

4. The DSM 2015 Annual Report contains in depth discussion of DSM program expenditures, marketing, cost-effectiveness, and evaluations. It also includes a section describing each program or initiative in detail, as well as a section describing other programs and activities that are not tied to direct energy savings. The DSM 2015 Annual Report uses the benefit/cost methodologies used in previous DSM annual reports, including the Total Resource Cost ("TRC") test perspective, the Utility Cost ("UC") test perspective, the Participant Cost Test ("PCT") perspective, and the Ratepayer Impact Measure ("RIM") perspective.

II. 2015 DSM SAVINGS

5. In 2015, Idaho Power offered its customers system-wide 19 energy efficiency programs, three demand response programs, participated in market transformation efforts through the Northwest Energy Efficiency Alliance ("NEEA"), and offered several educational initiatives and other activities. As explained in more detail in the Direct Testimony of Connie Aschenbrenner ("Aschenbrenner Testimony") filed contemporaneously with this Application, Idaho Power's annual energy savings increased by 18 percent over 2014 energy savings when considering Idaho Power's efficiency programs alone. When the NEEA estimated savings are included, the 2015 energy savings increase over 2014 is 12 percent—enough energy to supply electricity more than 14,000 average homes a year. DSM 2015 Annual Report at 1.

6. On a system-wide basis, Idaho Power achieved 162,533 megawatt-hours ("MWh") of incremental annual energy efficiency savings in 2015, including the estimated NEEA market transformation savings. *Id.* at 3. The 2015 savings consisted of 24,532 MWh from the residential sector, 102,074 MWh from the commercial/industrial sector, 14,027 MWh from the irrigation sector, and an estimated 21,900 MWh of energy

efficiency market transformation savings through NEEA initiatives. DSM 2015 Annual Report at 3-4. The industrial Custom Efficiency program contributed 40 percent of Idaho Power's direct program savings, while the residential sector Energy Efficient Lighting program contributed 65 percent of the residential savings. *Id.* at 4.

7. Idaho Power's 2015 energy savings exceeded the annual savings target identified in Idaho Power's Integrated Resource Plan ("IRP"). On a cumulative basis, the Company's energy savings have exceeded the IRP targets every year since 2002 when the energy efficiency riders began. Idaho Power contracted with a third party to conduct an energy efficiency potential study to estimate the amount of achievable energy efficiency to be included in the IRP for planning purposes. Idaho Power considers the achievable potential as a reasonable planning estimate. It does not consider the achievable potential as a ceiling limiting energy efficiency acquisition. *Id.* at 7; Aschenbrenner Testimony at 8.

8. Idaho Power successfully operated all three of its demand response programs in 2015. From an enrolled capacity of 385 megawatts ("MW"), the total actual demand reduction from the Company's demand response programs was 367 MW. *Id.* at 3. The Company reduced its demand response costs with a savings to Idaho Power customers of over \$1.6 million from 2014. *Id.* Almost a million dollars of these savings resulted from Idaho Power's transition of the commercial/industrial demand response program FlexPeak Management—administered by a third-party contractor—to the newly renamed Flex Peak Program fully administered by Idaho Power. *Id.* On Monday, June 29, 2015, the Company used the Irrigation Peak Rewards program and reached a system peak of 3,320 MW. *Id.* at 8. Had the program not been used, the Company

estimates the load would have been approximately 3,433 MW, which would have exceeded the previous all-time system peak of 3,407 MW. *Id.*

III. 2015 DSM EXPENSES

9. Funding for Idaho DSM programs in 2015 came from several sources. The Idaho Rider funds are collected directly from customers on their monthly bills at 4 percent of base rate revenues. Additionally, Idaho demand response program incentives were paid through base rates and the annual PCA. Energy efficiency and demand response-related expenses not funded through the Rider are included as part of Idaho Power's ongoing operations and maintenance ("O&M") costs.

10. In 2015, the Company's total system-wide expenditures on DSM-related activities totaled \$39,040,935. DSM 2015 Annual Report at 19. This includes expenditures for customers in Oregon and other O&M expenses that are not before the Commission as part of this prudence request. In this filing, Idaho Power seeks a determination that a total of \$35,196,964 were prudently incurred in 2015 (\$28,495,701 in Rider expenses and \$6,701,263 in demand response program incentives to be included in the 2016 PCA). A summary of 2015 program expenditures by program, customer sector, and funding source for which the Company is seeking a prudence determination is provided in the Aschenbrenner Testimony, Exhibit No. 1.

11. To calculate expenses for which the Company seeks a determination of prudence, Idaho Power made several adjustments to the total dollar amounts contained in the DSM 2015 Annual Report. Aschenbrenner Testimony at 9-16. The Company requests that the Commission reflect the following adjustments in its records:

a. DSM Labor-Related Expenses. The Commission declined to decide the reasonableness of increases in the Company's Rider-funded labor-related

expenses for 2011 and 2012. Order Nos. 32667, 32690, and 32953. Due to these Commission decisions, Idaho Power has excluded from this filing its 2015 increase in DSM labor-related expenses amounting to \$441,856. Aschenbrenner Testimony at 13. The cumulative amount of DSM labor expense increases that the Commission has not issued a prudence determination on is approximately \$1.3 million. *Id.* Idaho Power continues to believe these amounts represent labor costs necessary to acquire DSM savings and the amounts should be fully recoverable.

b. Prior Year-End Adjustments. In 2014, two incentive payments in the Energy House Calls program were charged to the Idaho Rider when they should have been charged to the Oregon Rider. In last year's prudence filing, Case No. IPC-E-15-06, Idaho Power proposed an adjustment of \$1,153 that decreased the amount of 2014 expenses requested for prudence determination. In Order No. 33365, the Commission approved that adjustment. This correction occurred in 2015 and was returned to the Rider account via an accounting entry. In order to arrive at the actual total program expenses for 2015, this amount is added back to this year's prudence request to avoid understating actual 2015 program expenses. *Id.* at 14-15.

c. Rider Funds Transfer. As part of the Company's 2014 annual PCA filing in Case No. IPC-E-15-14, the Company proposed that the Commission approve the continued application of an annual PCA credit related to the Rider in the amount of \$3,970,036 to maintain the revenue neutrality associated with the June 2014 update to the normalized level of net power supply expenses included in base rates approved by Order No. 33000. The Commission approved this transfer in Order No. 33306. The Rider account balance at December 31, 2015, was a positive \$6,554,074. *Id.* at 15-16.

IV. DSM COST-EFFECTIVENESS AND EVALUATIONS

12. The DSM 2015 Annual Report and accompanying Aschenbrenner Testimony provide a sufficient basis for the Commission to determine whether Idaho Power's DSM expenses were prudently incurred. These documents set forth the following in greater detail:

13. Cost-Effectiveness Measurements for Energy Efficiency Programs. In the DSM 2015 Annual Report, Idaho Power calculates cost-effectiveness from the TRC, UC, PCT, and RIM perspectives at the program level, except for those programs with no customer costs, in which case the PCT is not applicable. Idaho Power also evaluates cost-effectiveness using the TRC and UC tests for each measure within a program where the measures are not interactive. The DSM 2015 Annual Report, Supplement 1 includes detailed results of the cost-effectiveness tests by program and by measure. The DSM 2015 Annual Report, Appendix 4 shows the historical TRC and UC results for each of Idaho Power's energy efficiency programs from a program-life perspective.

a. Portfolio. Idaho Power's portfolio of energy efficiency programs is cost-effective, passing both the TRC test and the UC test with ratios of 2.32 and 3.57, respectively. The Company's energy efficiency programs' sector portfolios were also cost-effective from a TRC test and UC test perspective. DSM 2015 Annual Report at 15.

b. Program. In 2015, all of Idaho Power's energy efficiency programs were cost-effective, except the Home Improvement Program and the weatherization programs for income-qualified customers. *Id.* Idaho Power's goal is to have all programs achieve cost benefit ratios of greater than one for all tests. When it determines that a program is not cost-effective from one of these tests, Idaho Power

works with the Energy Efficiency Advisory Group ("EEAG") to seek alignment on a continued offering for Commission approval. Aschenbrenner Testimony at 16-17.

c. Measures. Twenty-four measures in various programs are shown not to be cost-effective from either the UC or TRC perspective. DSM 2015 Annual Report at 15. These measures will be discontinued, analyzed for additional non-energy benefits, modified to increase potential per unit savings, or monitored to examine their impact on the specific program's overall cost-effectiveness. *Id.*; Aschenbrenner Testimony at 24-25.

14. Cost-Effectiveness Measurements for Demand Response Programs. In 2015, Idaho Power determined the cost-effectiveness of its demand response programs based on the annual value of \$16.7 million that was established in the settlement reached in Case No. IPC-E-13-14 and subsequently approved in Commission Order No. 32923. While benefit/cost ratios are currently not calculated for the three demand response programs, in 2015, the system-wide cost of operating the three demand response programs was approximately \$9 million (\$7 million of incentives and \$2 million of program costs). Aschenbrenner Testimony at 20. The amounts attributable to the Idaho-only jurisdiction were \$8.5 million (\$6.7 million of incentives and \$1.8 million of program costs). *Id.* It is estimated that if the three programs were dispatched for the full 60 hours allowed, the total costs would have been approximately \$12.4 million on a system-wide basis. *Id.* at 20-21.

15. Program Evaluations. Independent, third-party consultants are used to provide impact and process evaluations to verify that program specifications are met, provide viable recommendations for program improvement, and validate energy savings estimates achieved through Idaho Power's programs. In 2015, these independent,

third-party consultants conducted process evaluations on three programs and impact evaluations on six programs. DSM 2015 Annual Report at 11-12; Aschenbrenner Testimony at 26-27. In 2015, Idaho Power administered surveys on several programs to measure program satisfaction. Participant surveys were conducted for Easy Upgrades, Home Energy Audit, Shade Tree Project, Weatherization Assistance for Qualified Customers, and Weatherization Solutions for Eligible Customers. *Id.* Copies of these reports can be found in the DSM 2015 Annual Report, Supplement 2. In addition, Idaho Power conducts annual cost-effectiveness analyses for each program. Details on cost-effectiveness analysis can be found in the DSM 2015 Annual Report, Supplement 1.

V. STAKEHOLDER INPUT

16. Formed in 2002, EEAG provides input on enhancing existing DSM programs and on implementing energy efficiency programs. Currently, EEAG consists of 14 members from Idaho Power's service area and the Pacific Northwest. Members represent a cross section of customers from the residential, industrial, commercial, and irrigation sectors, as well as representatives for seniors, low-income individuals, environmental organizations, state agencies, public utility commissions, and Idaho Power. EEAG meetings are generally open to the public and attract a diverse audience. Idaho Power appreciates the input from EEAG participants and acknowledges the commitment of time and resources of individual members to participate in EEAG meetings and activities. DSM 2015 Annual Report at 29-30; Aschenbrenner Testimony at 27-29.

17. In 2015, the Company held four meetings and a conference call with EEAG and contracted with a professional facilitator to improve the effectiveness of

EEAG meetings. During these meetings, Idaho Power discussed and requested feedback on new program ideas and new measure proposals, marketing methods, and specific measure details; provided a status of the Idaho and Oregon Rider funding and expenses; updated ongoing programs and projects; and supplied general information on DSM issues and important issues occurring in the region. Idaho Power relies on input from EEAG to provide a customer and public-interest review of energy efficiency and demand response programs and expenses. *Id.* The notes from the 2015 EEAG meetings are included in Supplement 2.

18. Based upon feedback from EEAG, Idaho Power has focused on increasing the scope and reach of its marketing efforts for its DSM programs. Idaho Power enhanced its marketing and public relations efforts in 2015 with the addition of airport signage, broadcast and on-line radio, television, and an on-line customer research panel. DSM 2015 Annual Report at 21-28. Additionally, Idaho Power had 14 energy efficiency themed guest appearances on two local television stations, KTVB and KPVI. In 2015, Idaho Power received two marketing awards for the Residential Energy Efficiency Awareness Campaign from the Idaho Advertising Federation Rockie Awards, which recognizes creative excellence in advertising in Idaho. *Id.* at 1.

VI. MODIFIED PROCEDURE

19. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure; i.e., by written submissions rather than by hearing. RP 201, *et seq.* Idaho Power has, however, contemporaneously filed the Aschenbrenner Testimony in support of this Application. The Company stands ready to present the

testimony in support of this Application in a technical hearing if the Commission determines such a hearing is required.

VII. COMMUNICATIONS AND SERVICE OF PLEADINGS

20. Communications and service of pleadings with reference to this Application should be sent to the following:

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VIII. REQUEST FOR RELIEF

21. As described in greater detail above, Idaho Power respectfully requests that the Commission issue an order designating Idaho Power's 2015 DSM expenses of \$35,196,964 as prudently incurred.

DATED at Boise, Idaho, this 15th day of March 2016.



LISA D. NORDSTROM
Attorney for Idaho Power Company

**BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-16-03**

IDAHO POWER COMPANY

ATTACHMENT 1

***DEMAND-SIDE MANAGEMENT
2015 ANNUAL REPORT***